

Press Release

Pharmesis to acquire properties for RMB15.6 million in Sichuan province to expand production capacity and non-manufacturing facility

- Proposed acquisitions comprise an industrial complex for production capacity expansion and two units within a multi-storey building for non-manufacturing facility expansion, both developments still under construction
- Proposed manufacturing plant in Industrial complex expected to be completed by April 2017 and commence operations by second half of 2017
- New plant to produce in-demand Group's key product, ErDing and other granular drugs, as current manufacturing plant in Guilin has almost reached capacity

Singapore, 6 May 2016 – SGX Mainboard-listed Pharmesis International Ltd (“Pharmesis”, together with its subsidiaries, the “Group”), a manufacturer of Western medicine and Traditional Chinese Medicine in China, plans to acquire an industrial complex and two properties with a total consideration of RMB15.6 million to expand its production capacity and non-manufacturing facility.

The Group's wholly-owned subsidiary, Chengdu Kinna Pharmaceutical Co., Ltd. (“Kinna” or “成都国嘉联合制药有限公司”) has entered into a conditional sale and purchase agreement (“SPA”) with Sichuan Neautus Traditional Chinese Medicine Co., Ltd. (“Sichuan Neautus” or “四川新荷花中药饮片股份有限公司”) to acquire an industrial complex currently under construction at Industrial park of Jiangyou Municipality, through the acquisition of the entire issued and paid-up share capital of Jiangyou Neautus Traditional Chinese Medicine Technology Co., Ltd. (“Jiangyou Neautus” or “江油新荷花中药科技有限公司”) on the terms of the SPA (“Proposed Acquisition”). The consideration for the purchase of Jiangyou Neautus shall be the sum of RMB8,631,000 to be satisfied in four installments.

The Industrial Complex is currently under construction and part of the Industrial Complex (comprising a factory and a composite building) is estimated to be completed by April 2017 and be operational by second half of 2017. The Industrial Complex can be developed into seven industrial buildings with various ancillary structures erected thereon, including a factory, a composite building, two quality control buildings, a raw material warehouse and two guardhouses, with a total gross floor area of approximately 28,644.69 m².

Kinna has also entered into two other agreements to acquire two units with a floor area of about 918.02 sq m on the sixth storey of a building under construction located at Jinniu District, Chengdu, Sichuan Province. The tentative purchase consideration for these two units is approximately RMB6.97 million. The Group plans to utilise these two properties as a non-manufacturing industrial and auxiliary facility to expand its operations.

The Group will be using internal sources of funds to finance these proposed acquisitions.

Mr Jiang Yun, the Group's Executive Chairman added, **"We plan to produce our key product, ErDing, which is well-received by consumers in the new manufacturing plant as our current plant in Guilin which produces ErDing and other granular drugs has almost reached its capacity."**

ErDing is a non-prescribed medicine in treating jaundice and clearing heat and toxins.

The rationale of the acquisition of the industrial complex is to enable Pharmesis to expand its current production capacity and also to accommodate any potential new business operations, as the Group is currently unable to increase the production capacity of its present factory in China due to regulatory restrictions. The size and location of the industrial complex is suitable for the Group's operations and will ensure that the Group is able to continually serve its customers' requirements efficiently.

Mr Jiang added, **"The demand for ErDing in China is expected to grow tremendously and the Group is aiming to produce 5 million boxes of ErDing this year. The proposed plant can expand the Group's production capacity of ErDing by 15 million boxes per year if it solely produces ErDing."**

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About Pharmesis International Ltd.

Listed on Main Board of Singapore Exchange in 2004, Pharmesis International Ltd., specialises in the research and development, production, sale and marketing of Western medicine and Traditional Chinese Medicine (TCM) formulated products for the treatment of illnesses relating to the liver and gall bladder in People Republic of China (PRC). With Pharmesis's quality products and established marketing network, the Group and its “国嘉” brand have received wide acceptance and numerous awards.

The Group emphasises strict control procedures to build quality into the products at every stage of the production process, from raw materials selection right up to finished products. Leading products of Pharmesis include ATT tablets, Gulin Gansu, ErDing granules and others. ATT tablets was the first product sold by the Group in China while Gulin Gansu is under the National TCM Protection List and also the first TCM formulated products to be awarded the “Product of Designation of Origin and Geographical Indications of the PRC”. Leveraging on Pharmesis's established extensive sales and marketing network across the PRC, the Group's products can be found in more than 2,000 hospitals located in many cities within the PRC.

The Group will make concerted effort in innovating new products and improving the quality of existing products to cater to the needs of different patients. Besides, the Group will continue to develop new revenue streams and optimise sales mix to achieve greater heights.

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